

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

|   |              |                 |                                      |        |
|---|--------------|-----------------|--------------------------------------|--------|
| Local Unit of Government Type<br><input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other |              | Local Unit Name |                                      | County |
| Fiscal Year End   | Opinion Date |                 | Date Audit Report Submitted to State |        |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

|  |                          |  |                |     |
|--|--------------------------|--|----------------|-----|
| <b>We have enclosed the following:</b>     | Enclosed                 | Not Required (enter a brief justification) |                |     |
| Financial Statements                       | <input type="checkbox"/> |  |                |     |
| The letter of Comments and Recommendations | <input type="checkbox"/> |  |                |     |
| Other (Describe)                           | <input type="checkbox"/> |  |                |     |
| Certified Public Accountant (Firm Name)    |                          | Telephone Number                           |                |     |
| Street Address                             |                          | City                                       | State          | Zip |
| Authorizing CPA Signature                  | Printed Name             |  | License Number |     |

*Kevin J. Conte*

# **City of Warren Police and Fire Retirement System**

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**Financial Report  
with Supplemental Information  
December 31, 2006**

# **City of Warren Police and Fire Retirement System**

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## **Contents**

|   |            |
|---|------------|
| <b>Report Letter</b>                        | <b>I</b>   |
| <b>Management's Discussion and Analysis</b> | <b>2-3</b> |
| <b>Basic Financial Statements</b>           |            |
| Statement of Plan Net Assets                | 4          |
| Statement of Changes in Plan Net Assets     | 5          |
| Notes to Financial Statements               | 6-12       |
| <b>Required Supplemental Information</b>    | <b>13</b>  |
| Schedule of Funding Progress                | 14         |
| Schedule of Employer Contributions          | 15         |



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## Independent Auditor's Report

To the Retirement Commission  
City of Warren Police and Fire Retirement System

We have audited the accompanying basic financial statements of City of Warren Police and Fire Retirement System (a component unit of the City of Warren, Michigan) as of and for the year ended December 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the Police and Fire Retirement Commission of the City of Warren. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of City of Warren Police and Fire Retirement System as of December 31, 2006 and the changes in plan net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the schedules of funding progress and employer contributions, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

*Plante & Moran, PLLC*

June 11, 2007

# City of Warren Police and Fire Retirement System

## Management's Discussion and Analysis

### Using this Annual Report

This annual report consists of three parts: (1) management's discussion and analysis (this section), (2) basic financial statements, and (3) required supplemental information. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements.

### Condensed Financial Information

The table below compares key financial information in a condensed format between the current year and the prior year:

|  | 2006                  | 2005                  |
|--|-----------------------|-----------------------|
| Total assets   | \$ 381,134,711        | \$ 329,649,294        |
| Total liabilities*   | 67,750,243            | 39,037,234            |
| Assets held in trust for pension benefits                          | <u>\$ 313,384,468</u> | <u>\$ 290,612,060</u> |
| Net investment gain*   | \$ 34,292,170         | \$ 21,069,893         |
| Contributions:   |                       |                       |
| Employee   | 532,753               | 410,899               |
| Employer   | 5,821,391             | 3,115,473             |
| Employer contributions made on behalf of employees                 | 1,127,754             | 1,165,266             |
| Retiree pension and annuity benefits                               | 16,399,260            | 15,178,907            |
| Member refunds and annuity withdrawals                             | 2,463,382             | 1,161,357             |
| Benefits paid, refunds, and withdrawals in excess of contributions | 11,380,744            | 11,648,626            |
| Ratio of benefits paid to contributions                            | 2.52                  | 3.48                  |
| General and administrative expenses                                | \$ 139,018            | \$ 205,763            |
| Net increase in net assets held in trust                           | 22,772,408            | 9,215,504             |

\* Includes securities lending transactions

# City of Warren Police and Fire Retirement System

## Management's Discussion and Analysis (Continued)

### Overall Fund Structure and Objectives

City of Warren Police and Fire Retirement System (the "System") exists to pay benefits to its members and retirees. Active members earn service credit that entitles them to receive benefits in the future. Benefits currently being paid are significantly greater than contributions currently being received. The excess of benefits over contributions must be funded through investment income. The public capital markets represent the primary source of investments.

### Asset Allocation

The City of Warren Police and Fire Retirement System has established asset allocation policies, which are expected to deliver more than enough investment income over a very long period of time to satisfy the obligations to pay the benefits promised to the members of the System. The following is a summary of the asset allocation (in percentages) as of December 31, 2006:

|                             | <u>Percentage</u> |
|-----------------------------|-------------------|
| Large Cap Domestic Equities | 30                |
| Small Cap Domestic Equities | 16                |
| Mid Cap Core                | 5                 |
| International Equities      | 16                |
| Fixed Income Securities     | 26                |
| Cash                        | 4                 |
| Other                       | 3                 |

### Investment Results

The stock market, as measured by the S&P 500 Index, increased 15.80 percent, on top of a 2005 gain of 4.90 percent. The System experienced an overall gain of 12.73 percent on its investment portfolios, due primarily to positive moves in the market value of stocks. The System's equity portfolio returned 16.10 percent and the fixed-income portfolio added .71 percent in 2006.

While this year's total fund investment return is encouraging, it must be considered in a longer-term context. The asset allocation of the fund is built upon the foundation that the obligations of the System to pay the benefits promised to members and retirees are very long-term obligations. Accordingly, the board of trustees must make investment decisions that it believes will be the most beneficial to the retirement system over many years, not just one or two years.

### Contacting the System's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the System's finances and to show the System's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the System's office at One City Square, Warren, Michigan 48093 or to call (586) 574-4568.

# City of Warren Police and Fire Retirement System

## Statement of Plan Net Assets December 31, 2006

### Assets

|   |                    |
|---|--------------------|
| Cash (Note 5)   | \$ 145,908         |
| Accrued interest and dividends receivable                     | 1,378,357          |
| Investments (Note 5):   |                    |
| U.S. government obligations                                   | 26,873,607         |
| U.S. government agencies' notes and debentures                | 18,184,659         |
| Corporate and other bonds and securities                      | 34,974,800         |
| Equities  | 197,274,038        |
| Private equity  | 500,334            |
| Short-term cash management funds                              | 12,337,096         |
| Equity mutual funds   | 10,509,981         |
| Fixed-income mutual funds                                     | 4,168,098          |
| Real estate investment trusts                                 | 8,470,312          |
| Securities lending short-term collateral bank investment pool | <u>66,317,521</u>  |
| Total investments   | <u>379,610,446</u> |
| Total assets  | <u>381,134,711</u> |

### Liabilities

|   |                   |
|---|-------------------|
| Due to City of Warren - General Fund                  | 109,168           |
| Amounts due broker under securities lending agreement | 66,317,521        |
| Accounts payable:                                     |                   |
| Money managers - Net                                  | 1,115,959         |
| Other   | <u>207,595</u>    |
| Total liabilities                                     | <u>67,750,243</u> |

**Net Assets Held in Trust for Pension Benefits** (a schedule of funding progress is presented in the additional information)

**\$ 313,384,468**

# City of Warren Police and Fire Retirement System

## Statement of Changes in Plan Net Assets Year Ended December 31, 2006

### Additions

|   |                    |
|---|--------------------|
| Investment income:  |                    |
| Interest and dividends                                      | \$ 8,884,708       |
| Net appreciation in fair value of investments               | 26,892,525         |
| Less investment expenses                                    | <u>(1,594,967)</u> |
| Net investment income                                       | 34,182,266         |
| Securities lending income:                                  |                    |
| Interest and fees   | 2,676,590          |
| Less borrower rebates and bank fees                         | <u>(2,566,686)</u> |
| Net securities lending income                               | 109,904            |
| Contributions:  |                    |
| Employee contributions                                      | 532,753            |
| Employer contributions                                      | 5,821,391          |
| Employer contributions made on behalf of employees (Note 3) | <u>1,127,754</u>   |
| Total additions   | 41,774,068         |

### Deductions

|                                |                   |
|--------------------------------|-------------------|
| Retirees' pension benefits     | 16,399,260        |
| Member refunds and withdrawals | 2,463,382         |
| Administrative expenses        | <u>139,018</u>    |
| Total deductions               | <u>19,001,660</u> |

**Net Increase** 22,772,408

### Net Assets Held in Trust for Pension Benefits

|                   |                              |
|-------------------|------------------------------|
| Beginning of year | <u>290,612,060</u>           |
| End of year       | <u><u>\$ 313,384,468</u></u> |



# City of Warren Police and Fire Retirement System

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## Notes to Financial Statements December 31, 2006

### Note 1 - Significant Accounting Policies

City of Warren Police and Fire Retirement System (the "System") is the administrator of a single-employer public employees' retirement system that covers substantially all police and fire employees of the City of Warren, Michigan. The financial statements of the System are also included in the combined financial statements of the City of Warren (the "City") as a pension trust fund.

**Basis of Accounting** - The System's financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenue in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the System.

**Method Used to Value Investments** - Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price.

### Note 2 - Plan Description

The System provides retirement, disability, and death benefits to plan members and their beneficiaries. The obligation to contribute to and maintain the System for these employees was established by city ordinance and negotiation with the police and fire collective bargaining units. At December 31, 2005, the date of the most recent actuarial valuation, membership consisted of 399 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and 380 current active employees.

### Note 3 - Contributions

The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are intended to accumulate sufficient assets to pay pension benefits when due.

Police and fire employment contracts provide for direct employee pension contributions of 1 percent of payroll for all fire employees and for police employees hired prior to July 1, 2000 and 5 percent of payroll for all police employees hired after July 1, 2000. In addition, the agreements provide that City contributions, equal to 4 percent of payroll, be made on behalf of all fire employees and the police employees hired prior to July 1, 2000. Under the terms of the contracts, these employer contributions made on behalf of the employees are effectively treated as direct employee contributions and are, therefore, recorded in the reserved net asset balance for employee contributions.

Administrative costs of the System are financed through investment earnings.

# City of Warren Police and Fire Retirement System

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## Notes to Financial Statements December 31, 2006

### Note 4 - Reserves

As of December 31, 2006, the System's legally required reserves have been fully funded as follows:

|                                      |                |
|--------------------------------------|----------------|
| Reserve for employees' contributions | 19,566,891     |
| Reserve for retired benefit payments | \$ 171,983,955 |

### Note 5 - Deposits and Investments

The System is authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles. The System's deposits and investment policies are in accordance with statutory authority.

As permitted by state statutes and under the provisions of securities lending authorization agreements, the System lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The System's securities custodians manage the securities lending program and receive cash, government securities, or irrevocable bank letters of credit as collateral. Borrowers are required to deliver collateral for each loan of not less than 100 percent of the market value of the loaned securities. During the year ended December 31, 2006, only United States currency was received as collateral.

The System did not impose any restrictions during the fiscal year on the amount of loans made on its behalf by the securities custodians. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or securities custodians.

# **City of Warren Police and Fire Retirement System**

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## **Notes to Financial Statements December 31, 2006**

### **Note 5 - Deposits and Investments (Continued)**

All securities loans can be terminated on demand by either the System or the borrower. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of the investments held by the investment pool as of December 31, 2006 was 105 days. Because loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On December 31, 2006, the System had no credit risk exposure to borrowers. The collateral held and the fair market value of underlying securities on loan for the System as of December 31, 2006 was \$66,317,521 and \$64,170,689, respectively.

The System's cash and investments are subject to several types of risk, which are examined in more detail below:

#### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned to it. The System does not have a deposit policy for custodial credit risk. At year end, the System had deposits of \$145,908, of which the entire amount was covered by federal depository insurance. The System believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the System evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# City of Warren Police and Fire Retirement System

## Notes to Financial Statements December 31, 2006

### Note 5 - Deposits and Investments (Continued)

#### Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The System's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270 day or less maturity. At year end, the average maturities of investments are as follows:

| Investment Type              | Fair Value   | 0-5 years  | 5-15 years | 15 years or more |
|------------------------------|--------------|------------|------------|------------------|
| Asset backed                 | \$ 1,862,118 | \$ 179,481 | \$ 521,788 | \$ 1,160,849     |
| Corporate - Variable         | 1,390,080    | 576,421    | 735,532    | 78,128           |
| Corporate - CMO              | 1,642,318    | 152,653    | 89,794     | 1,399,871        |
| Corporate - Domestic         | 21,665,066   | 8,956,988  | 8,671,019  | 4,037,060        |
| Federal agencies             | 10,110,822   | 7,555,346  | 2,472,416  | 83,060           |
| FHLM pools                   | 2,465,634    | -          | 473,385    | 1,992,249        |
| FNMA pools                   | 5,304,500    | 178,697    | 802,300    | 4,323,503        |
| Foreign corporate - Fixed    | 3,306,459    | 1,059,110  | 1,558,523  | 688,826          |
| Foreign corporate - Variable | 6,353        | -          | -          | 6,353            |
| Foreign government           | 65,898       | -          | 65,898     | -                |
| GNMA I pools                 | 85,296       | -          | -          | 85,296           |
| International agency         | 218,407      | 137,809    | 80,598     | -                |
| Municipal bonds              | 409,215      | 409,215    | -          | -                |
| Private placement - Fixed    | 2,232,536    | 1,156,512  | 888,462    | 187,563          |
| Private placement - Variable | 402,032      | 24,636     | 7,033      | 370,363          |
| U.S. government obligations  | 26,873,608   | 12,612,223 | 8,293,238  | 5,968,146        |

# City of Warren Police and Fire Retirement System

## Notes to Financial Statements December 31, 2006

### Note 5 - Deposits and Investments (Continued)

#### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The System has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U. S. government) are as follows:

| Investment Type - Rating    | Fair Value | Rating<br>Organization |
|-----------------------------|------------|------------------------|
| Asset backed - A            | \$ 346,871 | S&P                    |
| Asset backed - AAA          | 1,230,459  | S&P                    |
| Asset backed - BBB          | 284,689    | S&P                    |
| CMO - Corporate - AAA       | 1,194,896  | S&P                    |
| CMO - Corporate - NR        | 447,422    | S&P                    |
| Corporate - Fixed - A       | 3,646,958  | S&P                    |
| Corporate - Fixed - A-      | 1,916,514  | S&P                    |
| Corporate - Fixed - A+      | 4,412,370  | S&P                    |
| Corporate - Fixed - AA      | 991,639    | S&P                    |
| Corporate - Fixed - AA-     | 2,594,496  | S&P                    |
| Corporate - Fixed - AA+     | 10,334     | S&P                    |
| Corporate - Fixed - AAA     | 954,445    | S&P                    |
| Corporate - Fixed - BB+     | 143,509    | S&P                    |
| Corporate - Fixed - BBB     | 3,389,541  | S&P                    |
| Corporate - Fixed - BBB-    | 1,135,575  | S&P                    |
| Corporate - Fixed - BBB+    | 2,213,575  | S&P                    |
| Corporate - Fixed - NR      | 256,108    | S&P                    |
| Corporate - Variable - A    | 171,806    | S&P                    |
| Corporate - Variable - A-   | 331,409    | S&P                    |
| Corporate - Variable - A+   | 358,124    | S&P                    |
| Corporate - Variable - AA   | 377,408    | S&P                    |
| Corporate - Variable - AAA  | 6,637      | S&P                    |
| Corporate - Variable - BBB  | 144,696    | S&P                    |
| Mortgage back - FHLMC - NR  | 2,465,634  | S&P                    |
| Mortgage back - FNMA - NR   | 5,304,500  | S&P                    |
| Mortgage back - GNMA I - NR | 85,296     | S&P                    |

# City of Warren Police and Fire Retirement System

## Notes to Financial Statements December 31, 2006

### Note 5 - Deposits and Investments (Continued)

| Investment Type - Rating                | Fair Value | Rating<br>Organization |
|---|------------|------------------------|
| Municipal obligations - AAA             | \$ 409,215 | S&P                    |
| U.S. federal agencies - AA-             | 3,060,132  | S&P                    |
| U.S. federal agencies - AAA             | 7,050,690  | S&P                    |
| U.S. govt obligations - Bonds - AAA     | 9,716,334  | S&P                    |
| U.S. govt obligations - Notes - AAA     | 16,902,796 | S&P                    |
| U.S. govt obligations - Notes - NR      | 254,477    | S&P                    |
| Foreign corporate - Fixed - A           | 294,168    | S&P                    |
| Foreign corporate - Fixed - A-          | 417,096    | S&P                    |
| Foreign corporate - Fixed - A+          | 400,862    | S&P                    |
| Foreign corporate - Fixed - AA          | 17,242     | S&P                    |
| Foreign corporate - Fixed - AA+         | 492,180    | S&P                    |
| Foreign corporate - Fixed - AAA         | 10,373     | S&P                    |
| Foreign corporate - Fixed - BBB         | 549,739    | S&P                    |
| Foreign corporate - Fixed - BBB-        | 25,466     | S&P                    |
| Foreign corporate - Fixed - BBB+        | 693,172    | S&P                    |
| Foreign corporate - Variable - N/R      | 406,161    | S&P                    |
| Foreign government - A+                 | 5,148      | S&P                    |
| Foreign government - BBB                | 60,750     | S&P                    |
| Foreign - Other - AAA                   | 6,353      | S&P                    |
| Inflation index - NR                    | 218,407    | S&P                    |
| Private placement - Fixed - A           | 22,909     | S&P                    |
| Private placement - Fixed - AA          | 384,408    | S&P                    |
| Private placement - Fixed - BB+         | 418,616    | S&P                    |
| Private placement - Fixed - BBB         | 261,430    | S&P                    |
| Private placement - Fixed - BBB-        | 476,458    | S&P                    |
| Private placement - Fixed - BBB+        | 661,430    | S&P                    |
| Private placement - Fixed - N/R         | 7,285      | S&P                    |
| Private placement - Variable - A        | 7,033      | S&P                    |
| Private placement - Variable - BBB      | 202,357    | S&P                    |
| Private placement - Variable - BBB-     | 185,814    | S&P                    |
| Private placement - Variable - BBB+     | 6,034      | S&P                    |
| Short-term management funds - Not rated | 12,337,096 | N/A                    |
| Fixed-income mutual funds - Not rated   | 4,168,098  | N/A                    |

# City of Warren Police and Fire Retirement System

## Notes to Financial Statements December 31, 2006

### Note 5 - Deposits and Investments (Continued)

#### Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. The pension system restricts the amount of investments in foreign currency - denominated investments to 5 percent of total pension system investments. The following securities are subject to foreign currency risk:

| Security       | Foreign Currency | Fair Value |
|----------------|------------------|------------|
| Foreign Bonds  | Euro             | \$ 720,254 |
| Foreign Stocks | Euro             | 13,633,744 |
|                | Swiss Frank      | 3,167,862  |
|                | Yen              | 8,903,313  |
|                | UK Pound         | 5,201,859  |
|                | Hong Kong Dollar | 1,106,338  |
|                | Israeli Shekel   | 484,955    |
|                | Norwegian Krone  | 674,814    |
|                | Swedish Krona    | 369,905    |
|                | Other            | 206,585    |

### Note 6 - Risk Management

The System's exposure to risks of loss, other than investment market loss, is minimal. Exposure is limited primarily to errors and omissions. The System has commercial insurance for such claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

## **Required Supplemental Information**

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# City of Warren Police and Fire Retirement System

## Required Supplemental Information Schedule of Funding Progress

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>(b) | Unfunded<br>(Overfunded)<br>AAL<br>(b-a) | Funded<br>Ratio<br>(Percentage)<br>(a/b) | Valuation<br>Payroll | Unfunded AAL<br>as a Percentage<br>of Valuation<br>Payroll |
|--------------------------------|-------------------------------------|---|--|--|----------------------|--|
| 12/31/00                       | \$ 315,902,368                      | \$ 230,836,429                                    | \$ (85,065,939)                          | 136.85                                   | \$ 26,048,853        | -  |
| 12/31/01                       | 322,076,923                         | 249,131,827                                       | (72,945,096)                             | 129.28                                   | 28,469,158           | -  |
| 12/31/02                       | 305,839,164                         | 254,162,580                                       | (51,676,584)                             | 120.30                                   | 28,352,146           | -  |
| 12/31/03                       | 288,185,499                         | 263,489,300                                       | (24,696,199)                             | 109.40                                   | 29,400,497           | -  |
| 12/31/04                       | 277,076,691                         | 283,888,444                                       | 6,811,753                                | 97.60                                    | 30,306,876           | 22.50  |
| 12/31/05                       | 279,654,923                         | 303,319,483                                       | 23,664,560                               | 92.20                                    | 30,155,774           | 78.50  |

# City of Warren Police and Fire Retirement System

## Required Supplemental Information Schedule of Employer Contributions

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2005, the latest actuarial valuation, is as follows:

|                               |  |
|-------------------------------|--|
| Actuarial cost method         | Entry age                              |
| Amortization method           | Level percentage of payroll,<br>closed |
| Remaining amortization period | 20 years                               |
| Asset valuation method        | 4-year smoothed market                 |
| Actuarial assumptions:        |  |
| Investment rate of return     | 7.5%                                   |
| Projected salary increases*   | 0.1%-3.0%                              |
| *Includes inflation at        | 5.0%                                   |
| Cost of living adjustment     | None                                   |

| <u>Years Ended</u><br><u>December 31</u> | <u>Annual Required</u><br><u>Contribution</u> | <u>Percentage</u><br><u>Contributed</u> |
|--|---|---|
| 2001                                     | \$ 6,190,998                                  | 100.00                                  |
| 2002                                     | 3,704,792                                     | 100.00                                  |
| 2003                                     | 1,297,595                                     | 100.00                                  |
| 2004                                     | 1,895,672                                     | 100.00                                  |
| 2005                                     | 4,280,739                                     | 100.00                                  |
| 2006                                     | 6,949,145                                     | 100.00                                  |